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SENSITIVE
SIPDIS

DEPT FOR U/S BURNS
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SUBJECT: SCENESETTER FOR THE VISIT OF UNDER SECRETARY BURNS
TO INDONESIA

SENSITIVE BUT UNCLASSIFIED -- PLEASE HANDLE ACCORDINGLY

1. (SBU) SUMMARY: Under Secretary Burns, Embassy Jakarta warmly welcomes your visit. Ten years of political and economic reform have made Indonesia democratic, stable, and increasingly confident about its leadership role in Southeast Asia and the Muslim world. Indonesia has held successful, free and fair elections; has weathered the global financial crisis; and is tackling internal security threats. With this as backdrop, the GOI views your visit as a chance to engage the United States as a true partner in support of bilateral, regional, and global objectives. Your participation in the Bali Democracy Forum will support regional democratization efforts, including those directed at Burma, while demonstrating high-level American support for a pet project of President Yudhoyono. Bilateral Strategic Consultations should give you an opportunity to conclude a number of key initiatives under the Comprehensive Partnership such as return of the Peace Corps, push for progress in other important areas such as health cooperation, and discuss regional and strategic issues. President Yudhoyono is facing domestic political issues that could derail his agenda if not handled correctly. END SUMMARY.

BILATERAL RELATIONS CONTINUE TO DEEPEN

2. (SBU) Your visit comes at a turning point in U.S.-Indonesia relations. The GOI views the establishment of the bilateral Comprehensive Partnership as a way to deepen engagement with the United States across the board on the basis of a relationship between true partners. The success of Indonesia's democratization and reform process and its inclusion in the G-20 have given the country new confidence. This confidence can help the United States work better with Indonesia to achieve our aims in Asia and elsewhere. Under President Yudhoyono, the GOI has made significant efforts to play a more prominent and constructive role in regional and global affairs. The Indonesian military has taken on peacekeeping duties in Lebanon, Sudan, and the Democratic Republic of the Congo. Yudhoyono has staked out an ambitious position putting Indonesia in the front ranks on climate change. As home of the ASEAN Secretariat, Jakarta seeks a greater leadership role in ASEAN, and it is succeeding. GOI officials spearheaded efforts to enshrine democracy and human rights in the ASEAN Charter. Indonesia has played an important but largely behind-the-scenes role in encouraging democracy and human rights in Burma.

BALI DEMOCRACY FORUM AND STRATEGIC CONSULTATIONS

¶3. (SBU) Your participation in the Bali Democracy Forum (BDF) will support Indonesia's efforts to play a greater regional role and will give a high-level American imprimatur to a project of strong personal interest to President Yudhoyono. The BDF aims to encourage democratization by exposing participants, notably Burma, to democratic values and practices. This year's Forum will be the second meeting of the BDF and will be co-chaired by Japan. In the longer term, the Institute for Peace and Democracy, established as the programming arm of the BDF, plans to convene technical workshops for regional government officials and experts to strengthen democratic institutions.

¶4. (SBU) Your participation in the Strategic Consultations will both give you an opportunity to discuss key regional and bilateral issues with Indonesian counterparts and help institutionalize an expansion of high-level consultations under the Comprehensive Partnership. We anticipate that some initiatives under the Partnership, such as the return of the Peace Corps and a science and technology agreement may be ready for closure, and that consultations at your level might lead to progress in other areas, such as health, education, military-to-military, and nonproliferation cooperation. A session of the talks devoted to regional issues will focus on key issues including Afghanistan, Iran, the Middle East, and Burma.

THE BROADER PICTURE: THE COMPREHENSIVE PARTNERSHIP

¶5. (SBU) President Yudhoyono proposed that the U.S. and Indonesia launch a Strategic Partnership (later upgraded to

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the Comprehensive Partnership) in his November 2008 speech in Washington. Secretary Clinton's visit in February 2009 began a dialogue with Indonesians about the key elements of that partnership. The absence of a November POTUS visit to Jakarta, which Indonesians both inside and outside government highly anticipated, has slowed the pace of progress on the Partnership but not GOI enthusiasm.

¶6. (SBU) Even without a presidential visit this year, key elements of the Comprehensive Partnership are moving forward. Beyond the initiatives mentioned above, these include cooperation on climate change, an Overseas Private Investment Corporation (OPIC) investment incentive agreement, and, possibly, Indonesian training of Afghan police. Under a Comprehensive Partnership, we will strengthen Indonesia's democratic institutions and capacity to promote democracy beyond its borders.

¶7. (SBU) The partnership will also allow us to expand our already robust regional security cooperation and deepen our cooperation with the Indonesian military to enhance its capability to provide disaster relief and participate in international peacekeeping operations. We will promote the people-to-people ties that are critical to the success of our partnership, including expanding education cooperation. In addition to our discussions with the Indonesians on their commitments to reduce emissions from deforestation, our cooperation is deepening on food security focusing on fisheries and on combating emerging and tropical disease whose spread will be exacerbated by climate change in this region.

A POTENTIAL POLITICAL CRISIS FOR A VIBRANT DEMOCRACY

¶8. (SBU) The Yudhoyono administration faces a number of volatile issues related to corruption cases and the rivalry between the Indonesian National Police (INP) and the Corruption Eradication Commission (KPK). The arrest of two KPK officials, on what appear to have been trumped-up charges of extortion and abuse of power led to widespread public and parliamentary outcry. The fact-finding team that Yudhoyono formed in response in turn demanded strong Presidential action to resolve the case. At the same time, public outcry

over rumors of misallocation to the President's party or family of bailout funds given to save a small Indonesian bank rocked the administration. The bank issue has led to a formal inquiry in Parliament, supported by both opposition and coalition parties. This issue is further complicated by the fact that Vice President Boediono was Governor of the Bank of Indonesia at the time of the bailout.

¶9. (SBU) On November 23, President Yudhoyono delivered a public message on both issues that was criticized from some quarters as showing a lack of leadership. The twin problems have taken public confidence in Yudhoyono to a low ebb. There is no immediate danger to Yudhoyono's presidency. But should the investigation into the bank bailout reveal corruption involving Yudhoyono or his family, (Note: there has been no evidence of this to date) his presidency could be imperiled. In the interim, the President's plans for an aggressive 100-day plan to launch his second term have been derailed.

¶10. (SBU) The foundation of Indonesian democracy remains strong. The April 9 legislative and July 8 presidential elections were fair, free, and peaceful. The results of the legislative and presidential elections affirmed President Yudhoyono's reformist policies. In April, President Yudhoyono's Partai Demokrat (PD) won a plurality in legislative elections, with 20.85 percent of the popular vote (and over a quarter of the 560 parliamentary seats). This was followed by Yudhoyono's reelection victory in July, in which he captured 60.8 percent of the vote and 28 of the nation's 33 provinces. The cabinet for the second Yudhoyono administration, which came into office in late October, contains a number of technocrats and a larger number of political leaders.

A VIBRANT ECONOMY; PARTNERSHIP NEEDS WORK

¶11. (SBU) With estimated GDP growth of over four percent for
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2009, Indonesia is the third-fastest growing economy in the G-20. Indonesians are proud of their transition over little more than a decade from an economic basket case during the Asian financial crisis to the only Southeast Asian member of the G-20, involved in coordinating global responses to the current economic crisis. Although some of Indonesia's responses to the economic crisis have been protectionist, new opportunities for U.S. businesses are emerging. Boeing has a huge order book with Indonesian airlines. General Electric and Electro-Motive are competing for a several hundred million dollar locomotive deal. The Export-Import Bank is considering infrastructure and clean energy facilities to finance U.S. business deals and looking for ways to decrease the costs for lending in Indonesia.

¶12. (SBU) Despite these promising signs, trade and investment is the weakest of the three pillars of the Comprehensive Partnership. Indonesian officials say they want increased U.S. commercial links. But the overall direction of recent policymaking) from nontariff barriers to investment restrictions to bureaucratic interference) signal a strong bias towards domestic business interests. The conclusion of a new OPIC investment incentive agreement would be a tangible step towards attracting more U.S. investment to Indonesia. An Indonesian decision to continue their partnership with ExxonMobil on the \$40 billion development of Natuna gas field would show that Indonesia is serious about working with U.S. companies.

MILITARY-TO-MILITARY COOPERATION GROWS

¶13. (SBU) Since the end of sanctions following establishment of a democratic government in Indonesia, security cooperation programs have expanded greatly. IMET is a key tool in supporting defense reform by providing professional military education opportunities. Indonesia's IMET allocation will

increase from \$1.5 million in 2009 to \$1.8 million in 2010. The focus of foreign military sales to Indonesia is on improving airlift capability and aviation safety. Indonesia is expected to receive \$20 million in foreign military grant aid for 2010, up from \$15.1 million for 2009. U.S. Pacific Command is actively engaged in coordinating Indonesian military participation in Global Peace Operations Initiative-funded training programs and is coordinating \$5.5 million in funding to support the GOI's desire to develop a permanent peacekeeping training center facility. The prohibition on U.S. training for the Army Special Forces (KOPASSUS) continues to be viewed by Indonesia as a major irritant to mil-to-mil relations.

OVERCOMING SECURITY THREATS

¶14. (SBU) The GOI's response to the July 17 terrorist attacks was swift and effective. While the GOI is still pursuing a few remaining associates of militant ringleader Noordin Top, the killing of eight July 17 operatives, including Top, and the arrest of 11 others appears to have severely crippled Top's network. The GOI has heightened security nationwide and the INP continues to combat terrorism. Until the July 17 bombings, Indonesia experienced three-and-a-half years without a major terrorist incident, demonstrating how the GOI's counterterrorism efforts reduced the ability of militant groups to carry out attacks.

¶15. (SBU) U.S. assistance has been an important component of the GOI's success in locating and coordinating counterterrorism strikes in the wake of the post-July 17 bombings. The Embassy has worked to build the investigative support for and forensic capabilities of the National Police through numerous developmental programs administered by Department of Justice's International Criminal Investigative Training and Assistance Program. The Indonesian National Police, including elements of the Diplomatic Security, s Anti-Terrorism Assistance (DS/ATA) trained Special Detachment 88, have effectively disrupted the Jemaah Islamiyah (JI) terrorist network. The USG-funded Attorney General's Task Force on Terrorism and Transnational Crime has successfully prosecuted 64 terrorists, including 43 JI members since 2006, and DOJ enhanced the prosecutorial capacity of the task force.

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